Independent Joint Auditor's Report

To the Shareholders of United Food Holdings Limited (incorporated in Bermuda with limited liability)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of United Food Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

During the financial year ended 31 December 2016, the Group recognised employee benefits expense of RMB20.3 million in the Consolidated Statement of Profit or Loss of which an estimated RMB7.1 million relates to ensure of employees who have been made redundant arising from the suspension of the soybean processing division and closure of one animal feed production centre.

Evidence of receipt of wages by these redundant employees was unavailable. We were unable to satisfy ourselves by alternative means concerning the occurrence and accuracy of payroll expenses for these employees for the year ended 31 December 2016.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants *Code of Professional Conduct and Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) to the financial statements, which indicates that the Group incurred a net loss of RMB229,263,000 and total comprehensive loss of RMB229,526,000, and had a net cash outflow from operating activities of RMB160,133,000 for the year ended 31 December 2016. The Company had net current liabilities of RMB16,663,000 as at 31 December 2016. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* and the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated for our report.

Valuation of property, plant and equipment and land use rights (Refer to Note 9 and Note 10 to the financial statements)

Risk:

Property, plant and equipment and land use rights represent a combined total of RMB104.6 million (approximately 48% of Group's total assets) in the balance sheet as at 31 December 2016. The Group has been incurring losses due to market conditions, closure of one of the two animal feed production centres in October 2016, and suspension of the soybean processing operations since July 2015.

Management engaged an external professional valuer to assess the recoverable amount of property, plant and equipment and land use rights. The recoverable amount was determined to be the fair value less cost to sell of the assets, which was higher than the value in use of the assets.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and the underlying assumptions to be applied.

For the financial year ended 31 December 2016, an impairment loss of RMB51.5 million was recognised for property, plant and equipment. No impairment was necessary for land use rights.

Key Audit Matters (Continued)

Valuation of property, plant and equipment and land use rights (Refer to Note 9 and Note 10 to the financial statements) (Cont'd)

Our response and work performed:

We assessed the Group's processes for the selection of the external valuer, the determination of the scope of work of the external valuer, and the review and acceptance of the valuations reported by the external valuer. We evaluated the competence, qualification and objectivity of management expert, obtained an understanding of the work of that expert, and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion. We also read the terms of engagement of the external valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

Through our valuation specialist, we evaluated the appropriateness of the valuation methodologies used against those applied by the other valuers for similar property types, and assumptions applied to key inputs. We evaluated our valuation specialist's competence, capabilities and objectivity for our purposes.

We considered the adequacy of adequacy of the financial statement disclosures, in describing the inherent degree of subjectivity and key assumptions in the estimates, including disclosures of the relationships between the key unobservable inputs and fair values.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Joint Auditor's Report (Continued)

To the Shareholders of United Food Holdings Limited (incorporated in Bermuda with limited liability)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of Section 90 of the Companies Act 1981 of Bermuda and IFRSs, and for internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Joint Auditor's Report (Continued)

To the Shareholders of United Food Holdings Limited (incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

The engagement partners on this joint audit resulting in this independent auditors' report are Toh Kim Teck and Hon Koon Fai, Alex.

Foo Kon Tan LLP
Public Accountants
and Chartered Accountants

Toh Kim Teck

Singapore
5 April 2017

HLB Hodgson Impey Cheng Limited
Certified Public
Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong
5 April 2017

Extracted from the Notes to the financial statements
for the financial year ended 31 December 2016

1(b) Going concern

The Group incurred a net loss of RMB229,263,000 and total comprehensive loss of RMB229,526,000, and had a net cash outflow from operating activities of RMB160,133,000 for the year ended 31 December 2016. The Company had net current liabilities of RMB16,663,000 as at 31 December 2016. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

Notwithstanding the above, management believes that the Group and the Company will have sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of issue of these financial statements after taking into consideration the following:

(i) The Group will continue to receive continuing financial support from one substantial shareholder to enable it to pay its debts as and when they fall due and continue in operation for at least 12 months from the date of the Group's financial statements for the financial year ended 31 December 2016. As at 31 December 2016, advances from that substantial shareholder was RMB1,064,000.

(ii) The Group is exploring the debt and equity financing option. On 20 February 2017, the Company issued 22,016,173 new ordinary shares in accordance with share placement agreements which generated net proceeds of approximately RMB3,667,000 (Note 28).

(iii) The Group is evaluating disposal of assets that are not related to its current operations.

Accordingly, the directors consider it appropriate that these financial statements are prepared on a going concern basis.